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DEPARTMENT FOR AF/W

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SUBJECT: SIERRA LEONE STABILITY, PART II: ECONOMY

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Classified By: Political/Economic Officer Amy LeMar for reasons 1.4 (b/d)

¶1. (C) Summary: This is the second in a series of four cables that highlights risks to Sierra Leone's security (reftel A). The national economy continues to be in a state of woe, built on the precarious foundation of a weakening currency, decreasing imports and exports, reduced food security, and minimal foreign investment. With over-reliance on external markets and an underdeveloped financial sector, Sierra Leone is poorly equipped to absorb any shocks, and is finally seeming to bear the full brunt of the world's economic slowdown. Though citizens have demonstrated remarkable endurance and patience, a continued slide that diminishes the already-meager food on their plates will likely be met with anger and protest. Some wonder how much more impoverished this country can become, but it ultimately will bottom-out: when it does, peace and stability will falter. End Summary.

NO END IN SIGHT?

¶2. (U) While arguably Sierra Leone's greatest wealth lies in its territorial waters and mineral resources, the inability to harness and monitor those potential riches themselves means citizens benefit only marginally from them - and the global downturn in demand for diamonds and other minerals as well as increased smuggling means that even those minimal profits have been lost. President Koroma has placed his focus on agricultural production in the hopes of shoring up food security and with a long-term vision to become a net-exporter of key cash crops like cocoa, coffee, and rice. Though Sierra Leone has received equipment and technical assistance from a variety of donors, it is too soon to tell if it will have the desired effect: food scarcity during the dry season will indicate if his strategy has thus far been unsuccessful. Contacts also note that the push to move unemployed youth out of Freetown and back to their villages to work the land has been ineffective, and warn that farmers continue to move away from subsistence farming and into cannabis production (reftel B).

¶3. (U) Without increased food production, Sierra Leoneans must rely heavily on imports. However, the currency fluctuations (reftels C and D) are hurting merchants, who have raised prices but are losing profits. The Leone recently topped out at 4,350 to one U.S. dollar, and importers have begun hoarding key items, such as fuel and rice, in the hopes that the situation will improve during the holiday season (Note: On November 25, the Leone was trading at 3,750:1, and even 3,500: 1 in local stores. This is likely due to increased liquidity and foreign exchange in the market, as a

result of diaspora members returning to Sierra Leone for the holiday season. This is an artificial improvement, however, and post expects the Leone to fall again by mid-January. End Note.), or because they can no longer afford to sell at a loss. Though visiting relatives always bring cash, contacts told Poloff that overall remittances are drying up.

"HARD TIMES DONE COME"

¶4. (SBU) In speaking with staff and others about the country's mood, Poloff was told that "hard times done come," and that there is more grumbling now than ever before about inflation and lack of growth. While Koroma's recent conference in the UK for investors and donors was viewed positively by many, they also noted that such an event will not have an immediate, tangible impact: it may help change the country's image and encourage new interest, but that won't translate into the major and expedient investment needed to increase production, employment, and put cash in people's pockets. Sierra Leoneans are used to having little, and faced previous food shortages peacefully and stoically. They are able to "make do" without food imports as long as fruit, vegetables and locally-produced rice are plentiful, but the dry season will be challenging. Most Sierra Leoneans live on the margins of economic destitution and nutritional deficiency, but increased food prices coupled with the routine challenge of finding work could push more and more people into even greater levels of suffering and hardship.

¶5. (C) According to government contacts, the already-delayed
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Goods and Services Tax is unlikely to be implemented on January 1, as planned. The government is appearing to compensate for this loss of income by finding other means: a new "development levy" is being placed on fuel, which will increase its cost by the equivalent of 40 cents per gallon. Post recently received a letter from one fuel vendor, stating that the levy will be passed on directly to the consumer, which will be a hardship for consumers at all levels, and could incite significant outcry from transportation companies. The taxi drivers, many of whom are ex-combatants, are quick to strike when unhappy, which will bring cities and travel between them to a standstill.

¶6. (C) Reftel E poses the question of when economic hardship could trigger unrest: this is a challenging question to answer, because Sierra Leoneans seem to have a greater ability to withstand poverty than their neighbors. That said, one critical tripwire is increased criticism directed at the President from both the general public and members of his own government and party. A key Presidential advisor said that the party's statements are a barometer for public opinion - if the party protects Koroma by citing external market pressures and Sierra Leone's limited policy tools to address them, they are reflecting their view that the people will be comforted by knowing that much of what is happening is out of their leader's hands. If the party starts to question Koroma's inability to change the economic landscape (despite being cognizant that he is relatively powerless to do so), they have become aware that the mood of the public has shifted and requires a scapegoat. Shortages on the shelves or complaints about hunger cannot be seen as tripwires, according to contact, because these are common occurrences here and are generally accepted. But continual media reporting about the President's ineffectiveness, coupled with statements from APC members that cast doubt and blame upon him, could signify that the tide will quickly turn.

COMMENT

¶7. (C) There is no way of knowing when the economy will

completely bottom-out, but true food scarcity and a further decline in purchasing power will likely result in anger as well as hunger. If the currency resumes its fall again in January, bringing with it limited imports and fuel hoarding, post expects that patience to endure the situation silently will run out. The government needs to quickly revamp its strategies to increase large-scale works projects that will employ the huge numbers of unemployed street dwellers, eliminate the fuel development levy, and approach donors quickly for food subsidies and foreign exchange. One decent meal a day satisfies Sierra Leoneans: if the government can provide that, while at the same time increasing the Leone's value by increasing its reserves, this potential trigger for instability can be at least temporarily neutralized. End

Comment.

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